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*Market Administrator's***BULLETIN***Frank W. Lohman*

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ISSUED FOR PRODUCERS WHO ARE NOT MEMBERS OF COOPERATIVE ASSOCIATIONS

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Dairy Plants Grow Larger

The Dairy Situation, Economic Research Service USDA May 1965

Dairy manufacturing plants have continued to increase in average size in line with recent trends, according to an SRS report. This report contains data by States and covers the same products as an earlier report for 1957. Plant numbers declined from 1957 to 1963, and average production per plant gained. The increase in average scale reflects both the termination or consolidation of many small plants and development of new or expanded large-scale plants.

Changes in average production per plant ranged from a 5 percent gain for evaporated milk plants to a 75 percent gain for cottage cheese facilities. Production per butter plant rose 57 percent and per cheese plant gained 45 percent between the 2 years. Economics of scale resulted from adoption of more efficient plant equipment, better use of existing equipment, and more effective use of production workers and supervisory personnel in larger plants. External factors, such as larger deliveries, lower transportation costs on improved highways, and relatively stable price levels, encouraged large-scale operations.

Distribution of plants by annual volume shows fewer small plants in 1963 than in 1957. Although small-scale plants still are more numerous,

larger sized plants have increased in numbers during the 6 years and account for significantly higher output shares in 1963 than in 1957. Butter plants, making more than 2 million pounds per year, were 17 percent of all plants and produced around 60 percent of total U. S. butter output in 1963.

For nonfat dry milk, 60 percent of the production was by 61 plants, each having annual output of 10 million pounds or more. American cheese plants were relatively smaller in scale; about 60 percent of their output was made by plants having annual production of 1½ million pounds or more. For cottage cheese, 80 percent of output was in plants of the largest size class, 1 million pounds and over.

Even though milk utilization was distributed differently among various products in 1963 than in 1957, the trend to larger plant size was evident for all products. For example, output of Italian cheese varieties rose 72 percent from 1957 to 1963, and plant numbers increased 10 percent. However, the number of plants producing over a half million pounds annually gained 62 percent. Plants producing under a half million pounds declined 17 percent over the period. On the other hand, U. S. evaporated milk output fell 22 per-

cent from 1957 to 1963, and plant numbers dropped 26 percent. Only plants with over 55 million pounds annual production increased in numbers; all other size groups declined. This illustrates the wide variation in dairy plant scale between different products. The largest size group of Italian cheese plants annually receive 13 million pounds of milk or more; the largest size of condensed and evaporated milk plants have annual milk receipts of 100 million pounds or more.

While production became concentrated in fewer dairy plants, these plants also became more diversified. Plants averaged 20.0 products per plant in 1961 compared with an average of 1.5 in 1944. In 1961, 47 percent of the plants were diversified compared with only 10 percent in 1944. Condensed milk, nonfat dry milk, frozen product mixes, and frozen products were most often produced in multiple-product plants. American cheese, other cheese, and evaporated milk were produced more often in 1-product plants.

The decline in plant numbers means that producers who sell manufacturing grade milk and fluid milk producers' cooperatives which divert surplus Grade A milk to manufacturing use face the prospect of fewer

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Columbus

MARKET FACTS FOR EASY REFERENCE

PRICE SUMMARY

Producers' Uniform Price (3.5%)	
Class I (3.5%)	
Class II (3.5%)	
Class III (3.5%)	
Class IV (3.5%)	
Producer Butterfat Differential for each one-tenth percent	

June 1965	May 1965	June 1964
\$3.91	\$3.81	\$3.55
4.57	4.48	4.17
3.16	3.170	3.11
—	—	—
—	—	—
7.6¢	7.4¢	7.0¢

UTILIZATION SUMMARY

Percent of Producer Milk in Class I	
Percent of Producer Butterfat in Class I	
Percent of Producer Milk in Class II	
Percent of Producer Butterfat in Class II	
Percent of Producer Milk in Class III	
Percent of Producer Butterfat in Class III	
Percent of Producer Milk in Class IV	
Percent of Producer Butterfat in Class IV	

70.4	68.5	65.9
70.1	66.3	65.2
29.6	31.5	34.1
29.9	33.7	34.8
—	—	—
—	—	—
—	—	—
—	—	—

PRODUCER MILK RECEIPTS

Total Pounds of Producer Milk Delivered	
Average Daily Class I Producer Milk	
Total Number of Producers	
Average Daily Receipts per Producer	
Average Butterfat Test	
Total Value of Producers Milk at Test	
Income per Producer (7 day average)	

46,611,260	51,476,010	49,000,295
1,553,708	1,660,516	1,076,372
1,661	1,669	1,671
935	995	978
3.50	3.60	3.58
\$1,949,388	\$2,143,948	\$1,894,081
\$273	\$290	\$264

GROSS CLASS USE (Pounds)

Class I Skim	
Class I Butterfat	
Class I Milk	
Class II Skim	
Class II Butterfat	
Class II Milk	

31,648,442	34,043,394	31,146,591
1,157,087	1,241,982	1,144,566
32,805,529	35,285,376	32,291,157
13,312,401	15,558,470	20,751,110
493,330	632,163	759,078
13,805,731	16,190,633	21,510,188

AVERAGE DAILY SALES (Quarts)

Milk	
Buttermilk	
Chocolate	
Skim	
Cream	

408,543	416,747	394,918
6,608	6,471	7,006
18,221	30,638	16,970
12,754	13,960	13,012
9,330	9,017	9,681

* Corrected figures — April, 1965

COMPARATIVE STATISTICS



COLUMBUS MARKETING AREA



JUNE, 1956 - '65

Year	Receipts From Producers	Average Butter- fat Test	Percentage of Producer Milk in Each Class				Uniform Producer Price (3.5%)	Class Prices at 3.5%				Number of Producers	Daily Average Production
			Class I	Class II	Class III	Class IV		Class I	Class II	Class III	Class IV		
1956	28,016,984	3.73	61.6	8.3	12.4	17.7	3.86	4.811	3.951	3.382	3.205	2,049	456
1957	27,823,794	3.64	64.2	7.4	15.3	11.0	3.71	4.392	3.992	3.492	3.068	1,905	487
1958	27,893,568	3.66	66.3	7.0	9.9	18.9	3.40	4.069	3.669	3.269	2.847	1,816	512
1959	29,782,303	3.64	69.8	7.9	4.0	18.3	3.62	4.307	3.907	3.493	2.873	1,760	564
1960	29,844,239	3.69	68.3	7.5	3.3	20.9	3.53	4.208	3.808	3.506	2.886	1,657	600
1961	31,252,379	3.62	64.1	7.7	3.7	24.5	3.68	4.363	3.963	3.780	3.160	1,242	839
1962	34,859,645	3.61	64.4	8.0	4.6	23.0	3.45	4.12	3.769	3.552	2.932	1,313	885
1963	38,916,958	3.59	67.1	7.1	5.2	20.6	3.54	4.18	3.803	3.611	2.991	1,671	953
1964	49,000,295	3.58	65.9	34.1	—	—	3.55	4.17	3.11	—	—	1,361	976
1965	46,611,260	3.50	70.4	29.6	—	—	3.91	4.57	3.16	—	—	1,661	935

European Production and Prices Rise

The Dairy Situation, Economic Research Service USDA May 1965

U. S. export sales this year will depend on the overseas supply situation primarily in continental Europe and the United Kingdom. Western European milk production in first quarter 1965 showed about a 3 percent increase above 10 percent in 6 of the 13 major Western European dairy countries, and smaller increases in all other countries except Norway and Finland, where output is down. Cheese production is also gaining, but less than butter, and in fewer countries. Rising European butter output indicates that less U. S. butter would move to Western Europe than in 1964, even though Common Market regulations on dairy imports were not in force. These regulations, which became effective November 1, 1964, virtually shut out imports from non-member countries until Common Market milk supplies are utilized.

European production of dry whole

milk may be up slightly in the first half of 1965. Nonfat dry milk probably will rise more, as most European countries are showing gains. Production of nonfat dry milk is expected to increase significantly in France and West Germany. Increases also are indicated for Australia and New Zealand.

Retail butter prices during January-February 1965 were above a year earlier in a number of European countries. Price rises ranged from 3 to 6 percent. Continental prices per pound were about 60 cents in Denmark, Norway and the Netherlands; about 95 cents in West Germany, and \$1.20 in Switzerland. Consumption estimates for 1963 were up from 1962 in many Western European countries, but in 1964 total use of dairy products held at about the 1963 level. Higher retail prices in 1964 likely checked consumption. European eco-

nomie reports indicate that Western Europe's gross national may expand at a slower rate in 1965 than in 1964. This slowdown will be reflected in employment, wage rates, and disposable income and is likely to temper the possibility of increased consumption.

Wholesale prices of butter on the London Provision Exchange generally rose from mid-1964 to the end of the year and remained steady until mid-January 1965. Weakness has since developed, particularly in continental butters, as United Kingdom stocks rose to 132 million pounds in March, compared with 85 million pounds a year earlier. Continental stocks rose 32 million pounds above last March; so total Western European stocks in March were up 80 million pounds from a year earlier to a level more nearly approaching normal than those of the past 2 years.

Imports Down In 1964; No Rise Expected In 1965

The Dairy Situation, Economic Research Service USDA May 1965

Imports of dairy products amounted to 830 million pounds (milk equivalent) in calendar 1964, down 9 percent from 1963, primarily due to decrease in Colby cheese. Import quotes authorized under Section 22 of the Agricultural Adjustment Act, as amended, are in effect for many dairy products. In addition, voluntary arrangements apply to 3 nonquota products (Colby cheese, Junex, and frozen cream) where principal ex-

porting countries have agreed to limit shipments to the United States.

During July-February 1964-65, imports of cheese, butter, and dried products under quotas have decreased from a year earlier, because of supply conditions in exporting countries. Imports of casein and cheese in January and February were down about one-half from the same period last year. Some of this decrease probably was due to the dockworkers' strike.

Under the import regulations not more than two-thirds of the annual import quotas for cheese are licensed for importation during the July-February period.

Imports may recover considerably during the remainder of 1965 but are not likely to change much from calendar 1964, when imports amounted to 0.6 percent of U. S. milkfat supplies and 0.2 percent of solids-not-fat.

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THE
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Administrators
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DAIRY PLANTS GROW LARGER

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alternative markets and perhaps higher hauling costs. However, in some areas, overlapping assembly routes and other forms of competition raise procurement costs. A 1962 compilation of dairy plants and farm supplies by townships in Wisconsin showed that 11 or more plants were assembling milk in half of the 1,276 townships in the State. Efficient hauling arrangements could mean savings of 5 to 10 cents per 100 pounds of milk, in spite of fewer plants.

Despite the development of large-scale plants, studies show further opportunities for lower cost in the larger plants. A Wisconsin study indicated all the milk going through cooperative manufacturing plants in that State could be channeled through 54 plants of optimum size compared with the 319 in existence. Potential cost savings by large-scale operations were cited in management, selling, quality control, research, and product development.

A general movement toward increased scale also has been occurring in fluid milk plants. A recent study in Michigan shows that the number of plants processing milk for direct consumption dropped from 572 in 1950 to 231 by 1965. The decline was in the smaller plants, the number handling over 10 million pounds of milk per year increased.

Market Quotations

JUNE

1965

MINNESOTA - WISCONSIN PRICE SERIES	\$3.20
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Columbus)	3.060
Average Price per lb. 92-score butter at Chicago	.5897
Average carlot prices non-fat dry milk solids roller and spray process, f.o.b. manufacturing plant	.1421

Dairy Cattle Feeding Increases to Record High

The Feed Situation, Economic Research Service USDA May 1965

Feed of more grain and other concentrates to a declining number of dairy cows in 1964 has maintained the trend of recent years. During 1964, grain and other concentrates fed to 3 percent fewer milk cows, totaled 22.5 million tons, compared with 21.9 million in 1963. The quantity of concentrate-type feeds consumed per cow continues to trend upward; the quantity feed per cwt. of milk produced also continues to increase. In 1964, 35.9 pounds of these feeds were fed per cwt. of milk produced, compared with 35.1 in 1963. Higher producing cows are requiring more grain and other concentrates and less roughage.

Corn, not including that in commercially mixed feeds, made up 37.9 percent of the total of all feed concentrates fed to dairy cows in 1964, virtually the same as in 1963, and substantially above the 1964-65 average. Oats, the second-ranked dairy

ration ingredient, declined to 14.7 percent of the ration, compared with 15.3 percent in 1963, continuing the downtrend. Commercially mixed dairy feeds in 1964 comprised 32.9 percent of all concentrates fed to dairy cows, continuing the general upward trend of recent years.

Home-grown feeds as a percentage of the dairy concentrate ration varies considerably among the major regions of the United States. During 1964, dairy reporters in the West North Central States indicated they used about 70 percent home-grown feeds in their dairy rations. Dairymen in the Northeastern and Southern States reported that their rations consisted of 20-23 percent home-grown feeds. However, dairymen in the Western States continue to rely heavily on commercially prepared or shipped-in feeds; home-produced feeds made up a little less than 10 percent of the ration.